

WISCONSIN BUDGET PROJECT



An initiative of the Wisconsin Council on Children and Families, Inc.

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Census Bureau Issues New Figures on State and Local Finances Wisconsin Spending and Taxes Drop Relative to Other States

Wisconsin's taxes and spending fell relative to other states in 2006, according to figures recently released by the U.S. Census Bureau. An analysis of Census Bureau data by the Wisconsin Budget Project (attached) found that Wisconsin is slightly below average in per capita state and local spending, and is just \$1 dollar above the national average in per capita state and local taxes.

Because personal income in Wisconsin is 6 percent below the national average, Wisconsin is closer to the top when taxes are measured relative to income. Wisconsin ranks 11th in state and local taxes as a percentage of income, marking the first time since 1980 that Wisconsin has not been in the top ten.

When one focuses on all revenue sources, not just taxes, Wisconsin is much closer to average. This is because our state relies less on fees than most other states and ranks near the bottom in receipt of federal revenue. Looking at revenue from all sources, including federal revenue, Wisconsin's ranking relative to income was 28th and its ranking for "own source" revenue (taxes, fees and other revenue generated from within the state) as a percentage of income was 21st.

Jon Peacock, research director at the Wisconsin Council on Children and Families, noted that the report helps illustrate that if policymakers want to produce further reductions in Wisconsin's tax and spending rankings, the key now is to help personal income catch up to the national average.

"By nearly every reasonable measure, taxes and spending per person are about average in Wisconsin," said Jon Peacock, director of the Wisconsin Budget Project. "If we want to drop further in taxes relative to income, we need to focus on increasing incomes. That means investing in the workforce. Simply cutting spending while income stagnates is the wrong formula."

Census Bureau figures for fiscal year 2006 show the following:

- Wisconsin was 0.4 percent below average in total state and local spending per capita.
- Total state and local revenue in Wisconsin from all general revenue sources, including federal revenue, was \$6,885 per person, 6 percent below the national average.
- Total state and local taxes per capita were virtually identical to the national average.
- In state and local taxes relative to income, which has generally been the most watched measure, Wisconsin went from 5th in 2004 to 11th in 2006.
- Our state continues to rely less on fees and other revenue sources than most other states, dropping from 32nd to 36th in that category.

- Wisconsin fell to 42nd in per capita federal revenue.
- Only 11 other states have fewer state and local employees as a percentage of the population.
- In what is called “own source” revenue – which combines all state and local taxes, fees and things like interest earnings, but excludes federal revenue – Wisconsin fell to 23rd in the per capita ranking (3.4% below the national average) and 21st when it is measured relative to income.

Peacock added, “The new Census Bureau statistics reinforce the conclusion that Wisconsin needs to explore strategies like the hospital assessment that bring additional federal funding into the state – since Wisconsin is in the bottom 10 in federal funds per capita.”

Technical note: Our calculations of revenue and spending relative to income differ very slightly from those of the Wisconsin Taxpayers Alliance for two reasons (though the differences do not affect the general conclusions). First, we use income figures for the fiscal year, rather than the calendar year, in order to compare revenue and income based on the same timeframe. Second, we adjusted the data and rankings from 2004 and 2005 to reflect the fact that the federal government recently made retroactive changes in how it estimates personal income. (Those changes reduced income in Wisconsin relative to other states, and that moved Wisconsin one place higher in the 2004 and 2005 rankings for taxes as a percentage of income.)